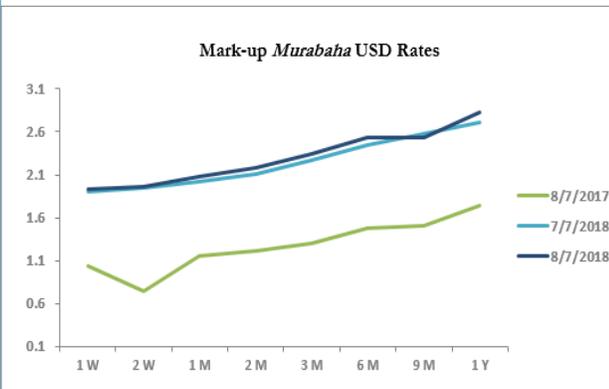
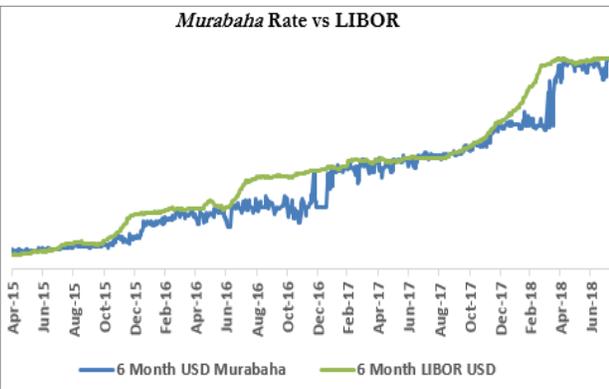
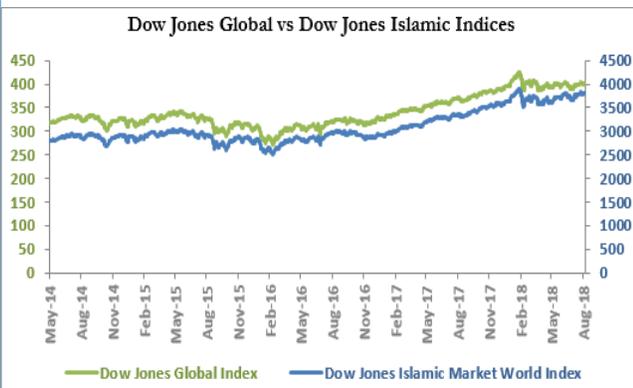
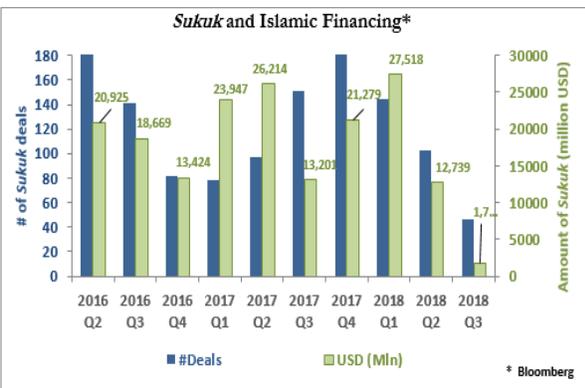


Philippines to Push Islamic Finance in Muslim Province	2		<b>Value</b>	<b>MoM</b>	<b>QoQ</b>	<b>YoY</b>
			8/7/18	7/7/18	5/7/18	8/7/17
<b>Equity</b>						
China's Support is Critically Instrumental in Developing Islamic Finance	2	Dow Jones Islamic Index	3808.04	▲2.27%	▲4.15%	▲13.22%
		Dow Jones Global Index	402.64	▲2.06%	▲1.77%	▲8.47%
		MSCI Islamic Index	1353.11	▲1.11%	▲2.25%	▲7.94%
Uzbekistan to Develop Islamic Finance in Bid to Tap Foreign Markets	3	MSCI World Index	2157.34	▲2.06%	▲2.88%	▲9.41%
		MSCI Emerging Market Index	1071.00	▲1.04%	▼-6.02%	▼-0.41%
<b>Fixed Income</b>						
World's Largest Islamic Hotel Financing Deal Sealed in Singapore	3	LIBOR 6 Month	2.5248	▲0.017	▲0.005	▲1.073
		<i>Murabaha</i> USD 6 Month	2.5303	▲0.090	▲0.075	▲1.056
		Dow Jones <i>Sukuk</i> Index	99.62	▲0.26%	▲0.64%	▼-3.40%
Kenya: Calls for Specific Islamic Finance Laws Gain Ground	3					
UAE Islamic Banks' Assets Rise to \$153.8bln in H1 2018	4					
Turkish Grain Office Issued a \$21mln <i>Sukuk</i>	4					
Borsa Istanbul: Committed Transactions Market of <i>Sukuk</i> Launched	4					
GCC Corporate, Infrastructure <i>Sukuk</i> Issuance Declines in '18	5					
Saudi's First <i>Sukuk</i> Issuance Through Primary Dealers Positive for Islamic Capital Market	5					
New Publication & Upcoming Events	6					
Glossary	7					

## Philippines to Push Islamic Finance in Muslim Province

The development agency of the Philippine's southernmost province of Mindanao is eager to use Islamic finance vehicles to fund infrastructure projects in the region where about one fifth of the 25.5mn-population identifies itself as Muslim.

The projects are part of Philippine President Rodrigo Duterte's massive "Build.Build.Build" programme which has earmarked no less than 8.4tn pesos (\$157.4bn) in investments for the entire country over the next five years into airports, railways, bus rapid transits, roads and bridges, as well as seaports. In a first step, plans are to issue Islamic bonds, or *sukuk*, to fund large infrastructure projects for the Mindanao island group and also raise funds for the rebuilding of Marawi City, which has been almost completely destroyed last year.

According to Romeo Montenegro, direc-

tor of the Mindanao Development Authority, or MinDA, the Islamic financing initiatives could be made through state-owned Al Amanah Islamic Investment Bank of the Philippines, which would issue *sukuk* for public, public-private or privately-led projects. Al Amanah, a subsidiary of the state-owned Development Bank of the Philippines, is currently the only bank in the Philippines licensed to do Islamic banking. To put state-backed Al Amanah into play would be necessary since most conventional banks are shying away to finance projects in Mindanao due to the region's small market size and prevailing security issues, Montenegro argued.

In order to enable the Islamic financing process, a proposed bill has been pushed in Congress to allow access to *sukuk* and similar Islamic finance vehicles.

**Source:** [Gulf Times](#)



Photo Credit: gulf-times.com

---

## China's Support is Critically Instrumental in Developing Islamic Finance

While China and Arab countries discuss ways to develop their bilateral ties, Kazakhstan aims to become a key part of those relations as well since the capital recently launched the Astana International Financial Center aspires to become a new global financial hub.

An economic event was carried out between July 3rd and 5th to talk about the main issue included Islamic Finance. Experts have emphasized China as a priority role in the global economy that China's support can be very instrumental in the development of Islamic Finance.

"There are two essential elements for potential. One is it sort of legitimizes Islamic finance in terms of long-term investment commitment, economic development, social infrastructure, capital infrastructure and so on. The second thing is, besides legitimizing it, it actually gives scale, and everything in finance is easier to do if you have got critical mass. China will bring the critical mass not just in the retail market, but the wholesale market," said Daud Vicary Abdullah, the Chairman of AIFC Advisory Board on Islamic Finance.

Meanwhile, Kazakhstan has also positioned itself to take advantage of China's Belt and Road initiative as it strived to draw investors from Central Asian countries as well as from the Arab world. The member of AIFC Advisory Board on Islamic Finance, Sheikh Bilal Khan said the financial center is linked to the world.

Moreover, Lawyers have also stressed that because the newly formed Astana International Exchange will be operating under the principles of English common law – it will create even more opportunities for collaboration between Central Asian countries and the Arab world.

"From an arbitration point of view, it doesn't have to be limited to English law. So if a dispute in Islamic finance, says Saudi Arabia, or in Brussels or UK comes, if it comes here, we can do it on the basis of the parties on choice. If the party chooses a certain law or procedure, that is the flexibility it offers, and it's amazing," Sheikh Bilal Khan added.

**Source:** [CGTN](#)



Photo Credit: edition.cnn.com

## Uzbekistan to Develop Islamic Finance in Bid to Tap Foreign Markets

Uzbekistan plans to introduce Islamic finance regulations and set up an Islamic finance institution to expand its banking sector and tap foreign markets as part of President Shavkat Mirziyoyev's efforts to revamp the economy.



Photo Credit: bloomberg.com

The establishment of the institution goes beyond existing legislation. It would allow the introduction of a wide range of sharia-compliant products, from Islamic bonds to insurance, said Yerlan Bidaulet, adviser to Kazakhstan's Ministry of investments and development.

"It's expected to push a systemic launch of the Islamic finance industry in the

country," Bidaulet said.

This could have implications for the wider region, which has seen various attempts to kick-start Islamic finance with mixed results: Kazakhstan has faced regulatory hurdles, while Azerbaijan's largest bank closed its Islamic unit in 2015.

Uzbekistan's approach might be more successful because it is creating a working group to coordinate efforts across all government agencies, including the ministry of finance and tax authority, Bidaulet said.

The proposed legislation will be drafted with the help of a grant from the Saudi-based Islamic Development Bank.

**Source:** [Reuters](#)

## World's Largest Islamic Hotel Financing Deal Sealed in Singapore

The Singapore branch of RHB Bank, one of the largest banking groups in Malaysia, has signed what it says is the world's largest Islamic bilateral hotel financing deal with Royal Group of Companies, a Singapore-based property conglomerate.



Photo Credit: gulf-times.com

The lender will provide an alternative finance package for a five-star luxury hotel valued at 300mn Singapore dollars (\$219mn), the SO Sofitel Singapore Ho-

tel, which is the underlying asset of the deal.

The Islamic financing contract has been entered as a refinancing deal for the property and is also the first Islamic financing structure for Royal Group, according to its co-chairman Bobby Hiranandani.

"We are open to alternative financing, so long as the economics makes sense. This is our first Islamic financing facility," he said.

**Source:** [Gulf Times](#)

## Kenya: Calls for Specific Islamic Finance Laws Gain Ground

The Central Bank of Kenya (CBK) and stakeholders in the banking and finance sector are now being asked to consider enacting a sector specific legislation tailored to Islamic finance sector to monitor and regulate such transactions in the country.



Photo Credit: kbc.co.ke

Despite the considerable steps CBK has made in ensuring and recognizing the influence and positive market reception of Islamic finance since its inception, an Islamic Financing Act is urgently needed to take Islamic financing in Kenya to the next level.

"There is no doubt that there has been growth in regulating Islamic financing in

Kenya. However this is deemed reactionary and insufficient in light of the unique requirements of Islamic financing. It is apparent that Islamic financing cannot be properly regulated, administered and managed under the same Act as conventional commercial banks (CCBs) without siring ambiguous outcomes," explained Jacqueline Wangui, Partner at MMC Africa Law.

"The absence of specific legislation on Islamic finance is in itself a hindrance to the realization of the financial benefits of the untapped potential of this unique form of finance," she added.

**Source:** [KBC](#)

## UAE Islamic Banks' Assets Rise to \$153.8bln in H1 2018

The Central Bank of the UAE (CBUAE) has announced that the assets of Islamic banks increased with 6.7 per cent in H1 2018 amounting to AED 565 billion, compared to the same period last year.

Shari'ah-compliant banking products have recorded impressive growth across the region over the past few years, with their assets accounting for 20.5 per cent of total bank assets in UAE, valued at AED 2.75 trillion in H1 2018.

In a statement, CBUAE said that the value of credit provided by Islamic banks in

H1 increased to AED 367 billion, a five per cent growth compared to the corresponding period in 2017.

Additionally, loans and credit facilities provided by Islamic banks make up 22.6 per cent of total loans provided by the entire banking system in the country, valued at AED1.62 trillion.

Deposits held by Islamic banks amounted to AED 392.4 billion, making up 23.3 per cent of total deposits held by UAE banks, estimated at around AED1.7 trillion.

**Source:** [Zawya](#)



Photo Credit: [zawya.com](#)

## Turkish Grain Office Issued a \$21mln Sukuk

The Turkish Grain Board (TMO) has issued a *sukuk* worth 100 million lira (\$21 million) based on agricultural commodities and is planning another round of issuance worth 300 million lira in the coming days, the board said in a statement.

The issue, the second of its kind by the TMO following the first one in November 2017, took place on Friday and its annual simple yield was at 18.50 percent. The bids totaled 185 million, TMO said.

**Source:** [Zawya](#)



Photo Credit: [tarim.com.tr](#)

## Borsa Istanbul: Committed Transactions Market of Sukuk Launched

Committed Transactions Market of *Sukuk* (CTM) has been launched within Borsa İstanbul and trading of lease certificates on the principles of committed transactions commenced. CTM operates in accordance with working principles of participation banks and other banks are also eligible to trading.

CTM functions similar to the operational rules of Repo and Reverse Repo Markets within Borsa İstanbul Debt Securities Market and lease certificates are subject to trading. Committed transactions are realized by selling with a commitment to repurchase from a third party at a future date and buying with a commitment to resell to the third party at the same date. The third party has the right of withdrawal from the committed transactions.

The operational principles of Committed Transactions Market of *Sukuk*, which is expected to contribute to expanding the funding base of participation banks, are also deemed appropriate by Participation Banks Association of Turkey.

Aiming at providing access to finance for com-

panies, Borsa İstanbul offers different products as part of İstanbul International Financial Center vision. In line with being a financial supermarket, debt security and lease certificate issuances continue to increase in the last three years.

In 2015, 2016 and 2017, the number of debt security and lease certificate issuances have been 621, 766 and 1,217, and the funding provided to companies have been 80, 91 and 130 billion TRY, respectively. As of July 2018, companies obtained 99 billion TRY funding with a total number of 849 issuances. Hence, the daily average number of listed debt security and lease certificate have been 5.8 in 2018. The share of lease certificates in total amount of issuances is 5% in 2017 and 10% as of July 2018.

As part of efforts to contribute to the development of interest-free financial instruments, the share of lease certificates in total amount of issuances is expected to increase in the upcoming period.

**Source:** [MondoVisione](#)



Photo Credit: [bigpara.hurriyet.com.tr](#)

## GCC Corporate, Infrastructure *Sukuk* Issuance Declines in '18

With diminishing funding needs and the corporates continuing to operate with limited investment programmes, the GCC corporate and infrastructure *sukuk* issuance volumes in 2018 is expected to remain well below the 2017 levels.

Additionally, global investors' perception of the GCC risk has increased over the past 12 months, which has convinced some *sukuk* issuers to hold off on potential issuance for the time being, S&P Global Ratings noted.

According to the ratings agency, the GCC region's corporate and infrastructure issuers raised over \$7.6bn via *sukuk* in 2017.

The issuance was subdued in the first half of 2018. Five issuers raised around \$2.6bn in total, representing a 60 percent decline relative to the \$6.5bn achieved in the first half of 2017. Over the past 18 months, the

real estate sector dominated the number of issuances, making up 10 of the 16 issuances executed. This is explained by the sector's need for long-term financing amid muted sales and lower risk appetite from the banking system, because of the ongoing real estate price contraction in some GCC countries.

While the GCC region has a good number of Islamic banks that are frequent *sukuk* issuers, the number of corporate issuers that tap into the *sukuk* space remains small, resulting in volatile annual volumes of issuance. For example, over 50 percent of the \$7.6bn raised by the region's corporate and infrastructure issuers last year was driven by the activities of two issuers: Saudi Aramco, which raised SAR11.25bn (around \$3bn) and Investment Corporation of Dubai, which raised \$1bn. The ratings agency noted that it had not seen many similar-sized transactions so far in 2018.

**Source:** [The Peninsula](#)



Photo Credit: english.mubasher.info

## Saudi's First *Sukuk* Issuance Through Primary Dealers Positive for Islamic Capital Market Development - Moody's

On 26 July, the Saudi Arabia (A1 stable) Ministry of Finance debt management office announced the completion of its first *sukuk* issuance under the primary dealers program, which was established for the distribution of local government *sukuk* securities. This issuance, which totalled around SR3.5 billion (\$925 million), is positive for the development of Islamic debt capital markets in Saudi Arabia because it broadens the investor base for government *sukuk* securities in the primary market and supports liquidity in the secondary market, Moody's Investors Service said in its comment.

The Saudi government has been a regular issuer of Islamic bonds since the Ministry of Finance established a Saudi riyal-denominated *sukuk* program last year (more than \$20 billion of riyal-denominated *sukuk* have been issued since July 2017). However, this issuance is the first under the newly launched primary-dealer scheme and more than 20 investors from participating financial institutions and asset managers submitted bids through an electronic platform for both their own

books and on behalf of investors. Previously, the Saudi government typically relied on banks and institutional investors' subscriptions to complete its tap issuances.

In the new primary-dealer system, the Saudi debt management office appointed five local banks to act as primary dealers for local government securities. Under this agreement, the appointed primary dealers purchase *sukuk* sold at auction directly from the government, and later place these securities in the secondary market for final investors, acting as market makers for government securities.

"We expect the primary-dealers scheme will develop the local government *sukuk* market, and more generally, debt capital markets in Saudi Arabia, which is one objective in the government's Financial Sector Development Program under Vision 2030, its national plan to reform the economy. We expect the primary dealers will also help the government build stable demand for *sukuk* securities and foster a broader and more diversified investor base by facilitating public access to sovereign debt." Moody's report said.

**Source:** [Zawya](#)



Photo Credit: arabianbusiness.com

## New Publications

IFSB Working Paper: Issues Arising From Changes in Takâful Capital Requirements	<a href="#">Download Publication</a>
---	--------------------------------------

## Upcoming Events (Aug—Oct 2018)

10th IFN Turkey Forum	Istanbul, Turkey	10 Sep 2018	<a href="#">Event Details</a>
2nd CIBAFI - UAB Forum: UN Development Goals and Islamic Finance: A Focus on Africa	Khartoum, Sudan	25-26 Sep 2018	<a href="#">Event Details</a>
CIBAFI-World Bank Conference on “Corporate Governance of Islamic Financial Institutions: Overcoming Challenges and Implementing Best Practices”	Kuala Lumpur, Malaysia	2 Oct 2018	<a href="#">Event Details</a>
Global Islamic Finance Forum 2018 (GIFF2018)	Kuala Lumpur, Malaysia	3-4 Oct 2018	<a href="#">Event Details</a>
2nd International Conference on Zakat, Waqf and Islamic Philanthropy (ZAWFI 2018)	Selangor, Malaysia	10-11 Oct 2018	<a href="#">Event Details</a>
1st Global Conference on Islamic Economics and Finance 2018 (GCIEF 2018)	Kuala Lumpur, Malaysia	24-25 Oct 2018	<a href="#">Event Details</a>
Global Islamic Economy Summit 2018	Dubai - United Arab Emirates	30-31 Oct 2018	<a href="#">Event Details</a>

## Description of Data:

**Dow Jones Sukuk Index:** The Dow Jones Sukuk Index is designed to measure the performance of global Islamic fixed-income securities—also known as sukuk. The index includes U.S. dollar-denominated investment-grade sukuk issued in the global market that have been screened for Shari'ah compliance according to the index methodology. The index was created as a benchmark for investors seeking exposure to Shari'ah-compliant fixed-income investments. The Dow Jones Sukuk Index follows the same consistent, quantitative methodology as the Dow Jones Islamic Market™ (DJIM) Indices, which are monitored to ensure their continued adherence to Shari'ah principles.

**Bloomberg USD Emerging Market Composite Bond Index:** The Bloomberg USD Emerging Market Composite Bond Index is a rules-based, market-value weighted index engineered to measure USD fixed-rate securities issued in emerging markets as identified by Bloomberg. Emerging market issuers can be found at function EMWH. The major components of the index are the Bloomberg USD Emerging Sovereign Bond Index, Bloomberg USD Emerging Market Corporate Bond Index, Bloomberg USD Investment Grade Emerging Market Bond Index and Bloomberg USD High Yield Emerging Market Bond Index. To be included in the index a security must have a minimum par amount of 100MM.

**LIBOR USD 6 Month: London - Interbank Offered Rate - ICE Benchmark Administration Fixing for US Dollar.** The fixing is conducted each day at 11am & released at 11.45am (London time). The rate is an average derived from the quotations provided by the banks determined by the ICE Benchmark Administration. The top and bottom quartile is eliminated and an average of the remaining quotations calculated to arrive at fixing. The fixing is rounded up to 5 decimal places where the sixth digit is five or more.

**Dow Jones Islamic Market World Index:** The Dow Jones Islamic Market World Index is a global index of companies that meet Islamic investment guidelines. The index is quoted in USD.

**Dow Jones Global Index:** The index measures the performance of stocks that trade globally, targeting 95% coverage of markets open to foreign investment. It is float market cap weighted. It is quoted in USD.

**MSCI World Islamic Index:** The MSCI World Islamic Index is a free-float weighted equity index. It was developed with a base value of 1000 as of May 31 2007.

**MSCI World Index:** The MSCI World Index is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1969. MXWO includes developed world markets, and does not include emerging markets.

**MSCI Emerging Markets Index:** The MSCI Em (Emerging Markets) Index is a free-float weighted equity index.

**Bloomberg Takaful Index:** Bloomberg Takaful Index is a capitalization-weighted index of all globally listed Takaful-recognised companies. Takaful is an Islamic term meaning mutual support, which is the basis of the concept of insurance or solidarity among Muslims. This is a form of insurance based on mutual assistance. The index was developed with a base level of 100 as of April 15, 2009

**Murabaha Deposit Rates:** Murabaha Deposit An agreement that refers to the sale and purchase transaction for the financing of an asset or project whereby the costs and profit margin (mark-up) are made known and agreed by all parties involved. The settlement for the purchase, which can be done in cash or in installments, will be specified in the agreement. Use all prices available in the terminal and updated within the last three working days. Banks that do not price for more than 3 days are excluded from the daily calculation. Islamic Market Reference Rate is calculated by Bloomberg using contributed rates from several local and international banks. Reference rates are calculated by taking the average bid & ask of the contributing banks, after eliminating the 4 highest and 4 lowest values.

## Glossary Of Key Terms

<i>Ijara</i>	This is a lease contract wherein the Bank (lessor) leases the property to the customer (lessee) in return for a rental payment for a specified financing period. The Bank promises to transfer the title of the property to the customer at the end of the
<i>Mudaraba</i>	Trustee finance contract: One party contributes capital while the other contributes effort or expertise; profits shared according to a predetermined ratio; investor not guaranteed a return and bears any financial loss; no fixed annual payment; financier has no control on how venture is managed.
<i>Murabaha</i>	Sale with agreed mark-up: Financing purchase of assets for a profit margin; asset purchased on behalf of client and resold at a pre-determined price; payment could be lump sum or in installments; ownership of asset remains with bank till full payments made
<i>Musharaka</i>	Partnership; equity participation contract: Both parties contribute capital; profits shared by a pre-determined ratio, not necessarily in relation to contributions; losses shared in proportion to capital contributions; both parties share and control how investment is managed; each partner liable for the actions of the other
<i>Shari'ah Board</i>	An independent body set up by an Islamic bank with the mandate of ensuring that the Islamic bank achieves and maintains the mandate of <i>Shari'ah</i> compliance.
<i>Sukuk</i>	An Islamic financial certificate, similar to a bond in Western finance, that complies with <i>Shari'ah</i> , Islamic religious law. Because the traditional Western interest paying bond structure is not permissible, the issuer of a <i>sukuk</i> sells an investor group the certificate, who then rents it back to the issuer for a predetermined rental fee. The issuer also makes a contractual promise to buy back the bonds at a future date at par value.
<i>Salam</i>	<i>Salam</i> is a sale whereby the seller undertakes to supply some specific goods to the buyer at a future date in exchange of an advanced price fully paid at spot. The contract of <i>Salam</i> creates a moral obligation on the <i>Salam</i> seller to deliver the goods. The <i>Salam</i> contract cannot be cancelled once signed.
<i>Takaful</i>	The term ' <i>takaful</i> ' is derived from an Arabic word which means solidarity, whereby a group of participants agree among themselves to support one another jointly against a defined loss. In a <i>takaful</i> arrangement, the participants contribute a sum of money as wholly or partially <i>tabarru'</i> (donation) into a common fund, which will be used for mutual assistance for the members against a defined loss or damage, according to the terms and conditions of the <i>takaful</i> .
<i>Istisna'</i>	<i>Istisna'</i> is the kind of sale where a commodity is transacted before it comes into existence. It means to order a manufacturer to manufacture a specific commodity for the purchaser. If the manufacturer undertakes to manufacture the goods for him with material from the manufacturer, the transaction of <i>istisna'</i> comes into existence. But it is necessary for the validity of <i>istisna'</i> that the price is fixed with the consent of the parties and that necessary specification of the commodity (intended to be manufactured) is fully settled between them.
<i>Wakala</i>	<i>Wakala</i> is the agency contract which is used widely in Islamic Finance. The applications ranging from brokerages services in permissible activities, like certain stocks, as well as to be the agent in a <i>Murabaha</i> transaction. The client, who wants to be financed, acts as agent of the bank to acquire the asset, then sold to him on credit installments. Agents can be compensated for their assignment with a fixed, variable or performance model, which is frequently used to influence pay outs and cash flows in financial engineering.

### Contact Info:

Ayse Nur Aydin  
+90 212-385-3445  
aaydin@worldbank.org

